

2004 Q2  
Vol. 20. No.2

# NatWest/SERTeam Quarterly Survey of Small Business in Britain







# Contents

Summary	2
<b>Business Issue</b>	<b>3</b>
Qualifications	3
Management training	5
Management development needs	6
Staff training	8
<b>Performance</b>	<b>10</b>
Performance: Comparison Across Business Sectors	12
Performance: Comparison Across Size Bands	14
Performance: Comparison Across Regions	16
<b>Problems</b>	<b>17</b>
<b>Prospects</b>	<b>20</b>
Prospects: Comparison Across Business Sectors	22
Prospects: Comparison Across Size Bands	24
Prospects: Comparison Across Regions	26
<b>Appendix</b>	<b>27</b>
How the survey is carried out	27
Historical Tables	28
Special Topics	32

# Summary

*Britain's small firms remain optimistic about the future, though their performance over the past year has slipped slightly. Government regulations and paperwork is by some margin the top small business problem. As the general economic climate has become less pressing, capacity shortages have become relatively more important. Younger small business owners/managers often have school qualifications but feel in need of management development. Formal staff training seems to be on the increase.*

- The youngest small business owners are far more likely than their older counterparts to have 'school-level' qualifications such as O'levels, CSEs, GCSEs, A'levels and Scottish Highers.
- Slightly more of the younger owner/managers have a degree, but fewer have a post-graduate qualification. Vocational/technical qualifications are more common among the youngest, but various types of professional non-degree qualifications are important across age groups.
- The most common form of management training for small business owners has been a course at work. Almost four out of ten have had no formal management training.
- Information and Communication Technologies, followed by marketing and financial skills, are the areas where most small business owner/managers feel they could benefit from some personal management development.
- Younger respondents most often feel they would benefit from personal management development.
- The proportion which offer 'off-the-job' staff training, particularly internal courses, rises sharply with firm size. More of the small firms in this than in earlier surveys offer formal staff training (up from 50% in 1995 to 58% now).
- The balance of firms increasing sales has slipped a little after a sharp increase in the previous survey, but remains much higher than a year ago.
- The employment and investment balances are also down, but remain positive.
- Government regulations and paperwork is the most important problem facing one in five businesses, twice as many as the next biggest problem, the general economic climate.
- Lack of time/capacity and lack of skilled employees/high pay have jumped up the rankings to third and fourth place, partly due to a drop in other problems and perhaps because some small firms were not prepared for an improvement in trading conditions.
- Competition is the biggest problem facing wholesalers and retailers.
- Small firms are fractionally more optimistic about their prospects for the second quarter of 2004 than they were about the first, with the balances on expected sales, employment and investment far higher than at this time last year.
- Hoteliers & restaurateurs most often report an improvement in sales over the past year and are most optimistic about their prospects for the second quarter.

# Business Issue

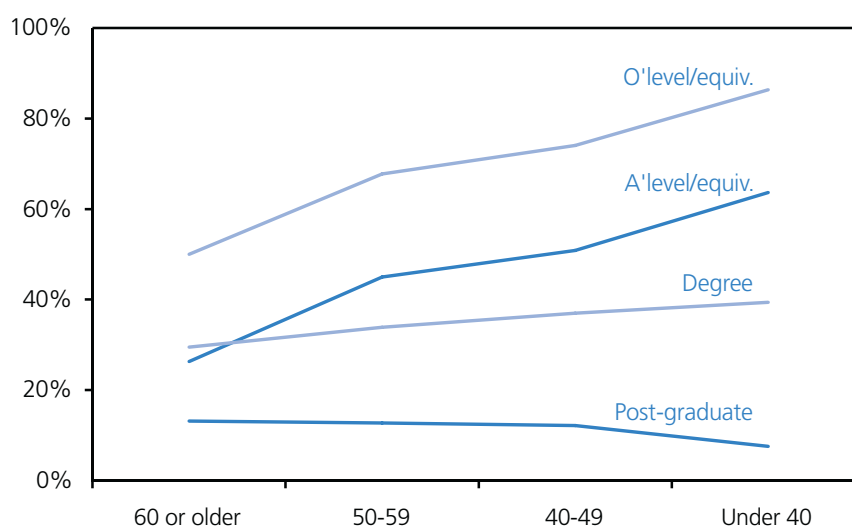
*Younger respondents are more likely to have 'school-level' qualifications, but are also more likely to feel a need for personal management development, most commonly in Information and Communication Technologies (ICT). The very smallest firms do least formal 'off-the-job' staff training, but the overall proportion of firms that provide training has increased.*

## Qualifications

The special topic of this survey reflects increased interest in business education by government and business leaders. Respondents were first asked about their own educational background. Chart 1.1 and Table 1.1 (overleaf) show that younger small business owners/managers are far more likely than their older counterparts to have achieved 'school' qualifications. At least 86% of those aged under 40, compared with only half of those aged 60 or more have achieved O'levels, CSEs, GCSEs or equivalent qualifications. For A'levels, Scottish Highers or equivalent the difference is even

more marked, with the youngest two and a half times (64% compared with 26%) more likely than the oldest to have achieved this level. This is to be expected, given the marked increase in the attainment of these qualifications in the general population over the period that these business owners will have been educated. When introduced in 1951, O'levels were taken mainly by pupils in grammar and independent schools, representing approximately the top 20% of pupils by ability. Until the introduction of the CSE in the mid-1960s most pupils did not have the opportunity to

Chart 1.1: Which of the following qualifications have you attained?  
- by age of respondent



<sup>1</sup> Although asked to indicate all qualifications attained, some may have only indicated the highest level. For instance, 4% of respondents indicated that they had attained A'level or equivalent but not that they had attained O'level or equivalent.

Table 1.1: "Which of the following qualifications have you attained?"  
(by age of respondent)

	60 or older	50-59	40-49	Under 40	All
O'level, CSE, GCSE or equivalent	50%	68%	74%	86%	67%
A'level, Scottish Highers or equivalent	26%	45%	51%	64%	43%
Degree	29%	34%	37%	39%	34%
Post-graduate (Masters, PhD etc.)	13%	13%	12%	8%	12%
Professional non-degree qualifications	45%	40%	35%	41%	40%
Vocational/technical qualifications	23%	27%	26%	33%	26%
Other (please specify)	8%	8%	6%	6%	7%
None of the above	15%	11%	7%	3%	10%
Sample	190	298	181	66	739

take public examinations. The school leaving age was raised to 16 in 1972. In 1986 GCSEs were introduced, with passes at Grade C and above regarded as equivalent to an O'level pass.

Increased access to a university education is also reflected in the more modest increase in the proportion of respondents with a degree, ranging from 29% of those aged 60 or older to 39% of those aged under 40. Small business owner/managers as a group are more likely than the general population to have a degree.

Department for Education and Skills figures show that 16% of the working age population have a degree, compared with 34% of our respondents.

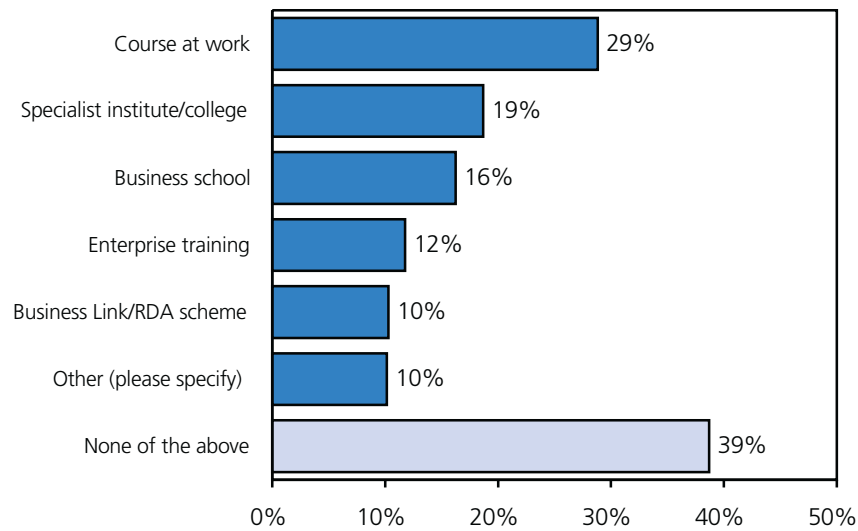
Table 1.2 shows that owners/managers of business service firms and those in manufacturing are most likely to have some formal qualifications, with those in construction and transport least likely. Post-graduate and vocational/technical qualifications are most commonly held by those in the health/education/leisure and other personal services sector (particularly those engaged in healthcare).

Table 1.2: "Which of the following qualifications have you attained?"  
(by business sector)

	O'level	A'level	Degree	Post-grad	Profess.	Vocational	Other	None	Sample
Agriculture	70%	22%	35%	17%	22%	22%	9%	13%	23
Manufacturing	70%	44%	39%	8%	44%	24%	9%	6%	144
Transport	53%	35%	15%	9%	32%	32%	12%	21%	34
Construction	55%	35%	23%	9%	37%	31%	8%	25%	75
Wholesale	62%	32%	27%	5%	25%	20%	2%	12%	60
Retail	64%	39%	26%	7%	29%	18%	7%	13%	107
Hotels & Restaurants	61%	37%	34%	16%	45%	34%	11%	13%	38
Business Services	77%	57%	43%	18%	50%	24%	6%	3%	196
Personal Services	60%	45%	39%	19%	44%	42%	10%	11%	62
All	67%	43%	34%	12%	40%	26%	7%	10%	739



Chart 1.2: “What is your experience of formal management training?”



### Management training

Chart 1.2 and Table 1.3 show that the most common experience of formal management training for these small business owner/managers is a course at work. 29% of respondents, and 40% of those in business services, have attended such a course. Those engaged in transport/travel/storage & communications

(particularly communications) and hotels & restaurants are as likely to have attended a specialist institute/college. Those in business services are markedly more likely than the rest to have attended business school (and to have had any experience of formal management training). Half of the owner/managers of retail firms have had no formal management training.

Table 1.3: “What is your experience of formal management training?” (by business sector)

	Enterprise training	Business school	Specialist institute	Business Link/RDA scheme	Course at work	Other (please specify)	None of the above	Sample
Agriculture	9%	9%	17%	4%	30%	9%	48%	23
Manufacturing	11%	17%	20%	15%	26%	10%	38%	144
Transport	15%	6%	24%	12%	24%	6%	47%	34
Construction	11%	8%	13%	12%	25%	9%	49%	75
Wholesale	8%	18%	13%	15%	30%	5%	40%	60
Retail	8%	10%	20%	5%	17%	6%	50%	107
Hotels & Restaurants	11%	5%	26%	5%	26%	13%	39%	38
Business Services	14%	27%	20%	11%	40%	14%	27%	196
Other Services	18%	15%	15%	6%	29%	11%	37%	62
All	12%	16%	19%	10%	29%	10%	39%	739

Specialist institutes/colleges seem to be playing less of a role in management training than in the past, as far more of the oldest owner managers attended them than their younger counterparts (a quarter of those aged 60 or older, compared with only 6% of those younger than 40). Take up of the other means of management training are not related to age of respondent.

Owner/managers of relatively larger firms are more likely than the smaller to have had management training supplied by a Business Link or Regional Development Agency (RDA) scheme (18% of those with 20 or more employees, compared with 7% of those with fewer than 5 employees). Otherwise, however, management training does not appear to be related to firm size, with owners/managers who work on their own as likely to have had some management training as those with employees.

**Management development needs**

ICT/technology is the area where most small business owner/managers believe that they personally have management development needs. Chart 1.3 and Table 1.4 show that almost one-third of respondents believe that they would find training in this area useful. Table 1.4 shows that it is not just older respondents who feel 'out of touch' with Information and Communication Technologies. The younger respondents taking part in the survey are in fact a little more likely than the oldest to feel that ICT training would help them. In this, as in most areas of management, many older respondents perhaps feel that their extensive experience is of more importance than the need to learn new skills. A number of respondents added comments to the effect that they had no management development requirements due to their age or because they were close to retirement. Most strikingly, only 7% of those aged 60 or older believe they have a need to develop their leadership skills, compared with 29% of those aged under 40. More than twice as many of the oldest as the youngest owner managers do not indicate any areas where they believe they would benefit from personal management

Chart 1.3: "Please circle your own personal management development needs"

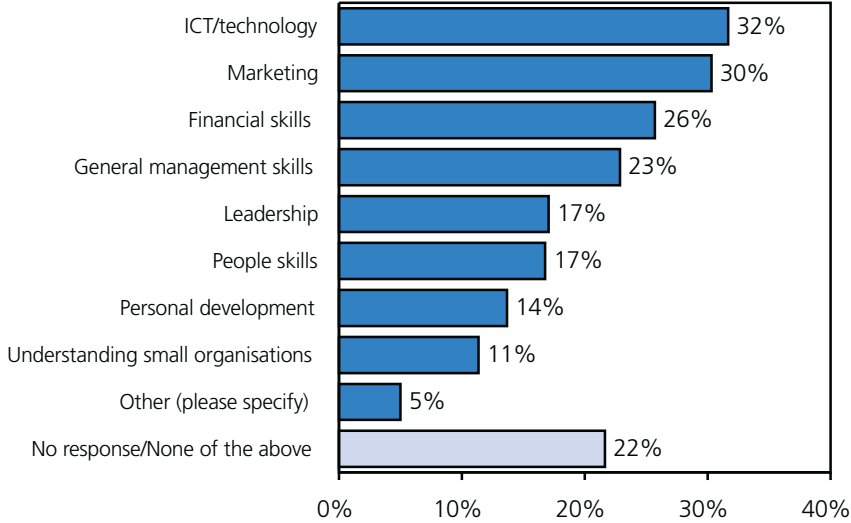




Table 1.4: "Please circle your own personal management development needs"  
(by age of respondent)

	Under 40	40-49	50-59	60 or older	All
ICT/technology	36%	33%	32%	28%	32%
Marketing	33%	37%	33%	20%	30%
Financial skills	27%	32%	25%	19%	26%
General management skills	32%	29%	23%	14%	23%
Leadership	29%	20%	19%	7%	17%
People skills	21%	19%	20%	8%	17%
Personal development	21%	18%	13%	7%	14%
Understanding small organisations	17%	13%	10%	9%	11%
Other (please specify)	2%	5%	5%	7%	5%
No response/None of the above	15%	11%	21%	34%	22%
Sample	66	181	298	190	739

development (the age of the respondent is more important than the number of years their business has been trading in explaining these differences). Other respondents, however, expressed the belief that an owner/manager should never think that they "know it all" and that continuing professional development was vital.

After ICT, marketing and financial skills are the areas where most owner/managers believe that they would

find some management development useful.

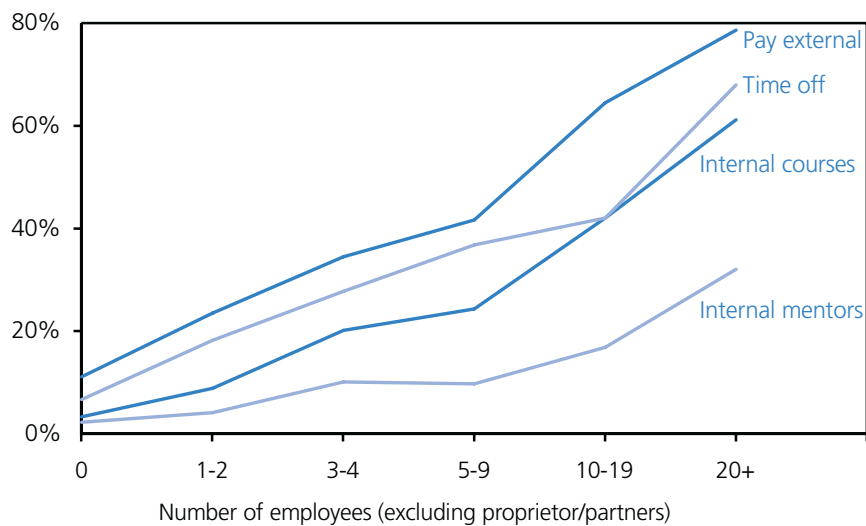
Table 1.5 shows that there are, rather surprisingly, only relatively weak relationships between firm size and personal management development needs. Owner/managers of the smallest firms are a little more likely than average to feel the need for help in understanding small organisations and a little less likely to require help with leadership, but otherwise there are few clear links between firm size and management development needs.

Table 1.5: "Please circle your own personal management development needs"  
(by number of employees, excluding proprietor/partners)

	0	1-2	3-4	5-9	10-19	20+	All
ICT/technology	33%	28%	28%	37%	33%	33%	32%
Marketing	29%	37%	29%	35%	28%	18%	30%
Financial skills	22%	25%	27%	22%	30%	29%	26%
General management skills	14%	24%	22%	25%	27%	23%	23%
Leadership	10%	14%	13%	22%	19%	27%	17%
People skills	11%	17%	14%	20%	21%	16%	17%
Personal development	13%	14%	12%	15%	17%	12%	14%
Understanding small organisations	14%	11%	14%	11%	10%	8%	11%
Other (please specify)	6%	6%	4%	6%	4%	3%	5%
No response/None of the above	23%	21%	25%	20%	15%	24%	22%
Sample	90	170	119	144	107	103	739



Chart 1.4: "Apart from on-the-job instruction, what training does your business provide for its staff?" - by number of employees, excluding proprietor/partners



### Staff training

The flipside of management development for the business owner/manager is training for staff. Chart 1.4 and Table 1.6 show that the proportion of small businesses which provide any formal training (apart from on the job learning, which is the principal form of training in small firms) is very closely related to firm size.

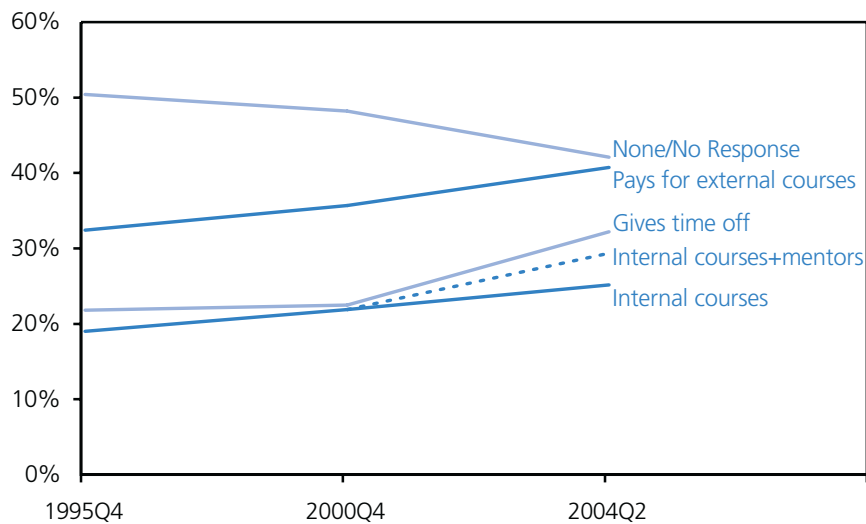
The most common form of training is for the business to pay for external courses. The proportion doing this ranges from 11% of those with no employees (i.e. which pay for courses for the proprietor or partners) to 79% of those with 20 or more employees (with an average of 41% of all firms taking part in the survey).

Table 1.6: "Apart from on-the-job instruction, what training does your business provide for its staff?" (by number of employees, excluding proprietor/partners)

	0	1-2	3-4	5-9	10-19	20+	All
No formal training	53%	56%	39%	30%	17%	6%	35%
Organises internal training courses	3%	9%	20%	24%	42%	61%	25%
Pays for external training courses	11%	24%	34%	42%	64%	79%	41%
Gives staff time off to attend courses	7%	18%	28%	37%	42%	68%	32%
Organises internal mentors/consultants	2%	4%	10%	10%	17%	32%	12%
Other (please specify)	8%	2%	2%	5%	7%	4%	4%
Sample	90	170	119	144	107	103	739
No formal+No response+on the job	78%	63%	45%	33%	20%	7%	42%



Chart 1.5: "Apart from on-the-job instruction, what training does your business provide for its staff?" - compared with earlier surveys



Just under a third of these small firms give staff time off to attend courses, while one-quarter organise internal training courses. As might be expected, there seem to be clear economies of scale in organising internal training courses. The smallest firms rarely offer them. However, firms with 10 or more employees organise them almost as often as give staff time off to attend courses and not far off as often as pay for external courses.

In addition to those that offer no formal training, there were a significant number of respondents (particularly from the smallest firms) who did not answer the question and some who gave 'other' answers which suggested that their business provides only 'on-the-job' training. In total, 42% of small firms offer no formal 'off-the-job' training. This ranges from three-quarters of the smallest firms to only 7% of those with 20 or more employees.

Chart 1.5 shows some evidence that formal training within small businesses may have increased since similar questions were asked in earlier surveys<sup>2</sup>. The proportion offering no formal training has fallen from over half in 1995 to 48% in 2000 and, more sharply, to only 42% now. The increase in the proportions paying for external training courses and giving staff time off to attend courses have also both accelerated. The proportion offering internal training courses increased by similar amounts between 1995 and 2000 and between 2000 and 2004. However, the current survey included the option of 'organises internal mentors/consultants', not offered in the previous surveys. The dotted line in Chart 1.5 shows that the proportion offering internal training of any type, like the external training methods, has shown a greater increase.

2 NatWest/SBRT Survey of Small Business in Britain, Vol.11 No.4 and Vol.16 No.4.

# Performance

*The performance of Britain's small firms has slipped since the previous survey but remains better than at this time last year. Hotels & restaurants most often report increased sales, though manufacturers and retailers are doing better than they were.*

The proportion of Britain's small firms reporting higher sales in the first quarter of 2004 than a year earlier has fallen to just under half (Table 2.1). A little more than a quarter report falling sales, giving a balance of +23%. Although lower than the +27% in the previous survey (the highest for many years) it remains much higher than the +9% at this time last year (Chart 2.1).

Official figures show GDP growth remaining robust in the year to the first quarter of 2004, though, perhaps mirroring the fall in the sales balance, the quarter-on-quarter GDP growth rate was a little lower than that in the preceding quarter.

The picture is similar for the balances of firms reporting increases in employment and investment over the past year. The balances are lower than in the previous survey, but, unlike a year ago, more have increased employment and investment than have cut them.

Despite the weakening in the sales balance, inflationary pressures are evidenced by the increase in the proportion of small firms which have raised their average selling prices over the past year. The balance which have increased prices has risen to a new high of +27%.

Chart 2.1: Percentage balance of respondents reporting an increase in sales, employment, investment or selling prices (weighted figures)

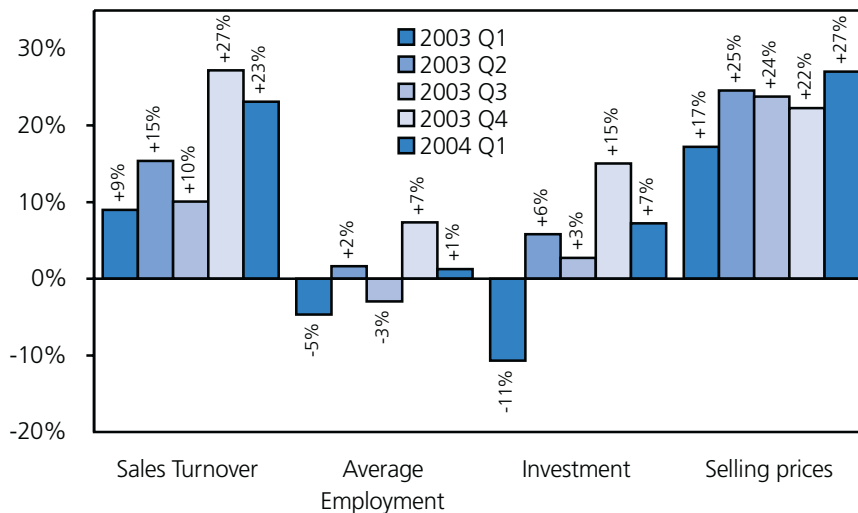




Table 2.1: Change over past year in sales, employment, investment and selling prices (weighted figures)

Change over past year (2004Q1 on 2003Q1) in:	Up	Down	Same	No response	Balance
Sales Turnover	49%	26%	22%	2%	+23%
Average Employment	16%	15%	64%	5%	+1%
Investment	22%	15%	57%	6%	+7%
Selling prices	38%	11%	46%	5%	+27%

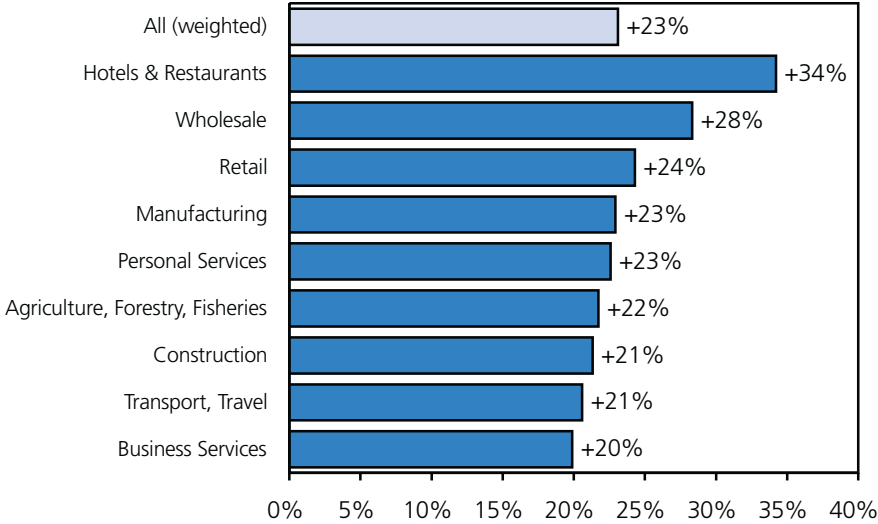
Chart 2.2 shows that the youngest firms in this survey have had more success in increasing their sales over the past year than the oldest. However, the difference between the two groups is much less than in the previous survey, when the balance ranged from +13% for those established 20 years or more to +50% for those established within the past three years.

Chart 2.2: Percentage balance of respondents reporting an increase in sales over past year - by age of business



# Performance: Comparison Across Business Sectors

Chart 2.3: Percentage balance of respondents reporting an increase in sales over past year - by sector



More small firms in the hotels & restaurants sector than in other activities managed to increase their sales in the year to the first quarter of 2004 (Table 2.2). The balance of +34% is in fact lower than the +44% in the previous survey, but the balance for the previously top-ranked sector, health/education/leisure & other personal services, fell more sharply. Hotels & restaurants have been among the top-three ranked sectors for sales performance for over a year now. In contrast to the previous survey, small hoteliers and restaurateurs which have recruited extra staff outnumber those which have cut employment, by eight percentage points, making

them the second most positive sector (after wholesalers) on this measure. They are also among the most likely to have increased investment over the past year and, as has been the case for a number of surveys, the most likely to have increased their average selling prices.

Sales growth among small wholesalers has remained robust, with the balance increasing by a single percentage point since the previous survey, moving them into second place in the rankings of sectors. They are now the sector with the highest balances having recruited extra staff and increased internal investment over the past year.

Table 2.2: Change over past year in sales, employment, investment and selling prices by sector

	Sales Turnover	Average Employment	Investment	Selling prices	Sample
Agriculture, Forestry, Fisheries	+22%	+4%	-4%	+43%	23
Manufacturing	+23%	+5%	+13%	+24%	144
Transport, Travel	+21%	-3%	+9%	+18%	34
Construction	+21%	-1%	+7%	+44%	75
Wholesale	+28%	+12%	+20%	+23%	60
Retail	+24%	+2%	+5%	+7%	107
Hotels & Restaurants	+34%	+8%	+13%	+50%	38
Business Services	+20%	-3%	-1%	+17%	196
Personal Services	+23%	+0%	+11%	+34%	62
All (weighted by sector)	+23%	+1%	+7%	+27%	739

The biggest improvements since the previous survey are in manufacturing and retailing. In the previous survey these were the two lowest-ranked sectors in terms of sales performance, with balances of +15% and +18% respectively reporting sales growth in the year to the final quarter of 2003. These balances have now risen to +23% and +24%, making them amongst the most successful.





## Performance: Comparison Across Size Bands

Table 2.3: Change over past year in sales, employment, investment and selling prices by turnover

Annual turnover (excluding VAT)	Sales Turnover	Average Employment	Investment	Selling prices	Sample
Less than £50,000	+13%	+0%	-3%	+17%	94
£50,000-£99,999	+15%	-9%	-5%	+31%	115
£100,000-£249,999	+11%	-9%	-2%	+16%	148
£250,000-£499,999	+36%	-2%	+5%	+25%	128
£500,000-£999,999	+25%	+11%	+15%	+28%	115
£1m+	+40%	+19%	+32%	+29%	133
All (weighted by sector)	+23%	+1%	+7%	+27%	739

Tables 2.3 and 2.4 and Charts 2.4 and 2.5 show that, as has been the case for some years, the relatively larger firms taking part in our survey have been more successful than their smaller counterparts in increasing sales over the past year.

In this survey there is a clear division between the fortunes of the smallest and the relatively larger firms. Those with a turnover of over £250,000 and those with 10 or more employees have been relatively successful at increasing their sales over the past year. For their smaller counterparts, however, the sales balances are much lower.

Table 2.4: Change over past year in sales, employment, investment and selling prices by employees

Number of employees (not including proprietor/partners)	Sales Turnover	Average Employment	Investment	Selling prices	Sample
0	+16%	-1%	+7%	+29%	90
1-2	+15%	-6%	+1%	+20%	170
3-4	+11%	-1%	-3%	+20%	119
5-9	+13%	-10%	-5%	+17%	144
10-19	+47%	+18%	+32%	+33%	107
20+	+45%	+21%	+23%	+34%	103
All (weighted by sector)	+23%	+1%	+7%	+27%	739



Chart 2.4: Percentage balance of respondents reporting an increase in sales over past year - by turnover size band

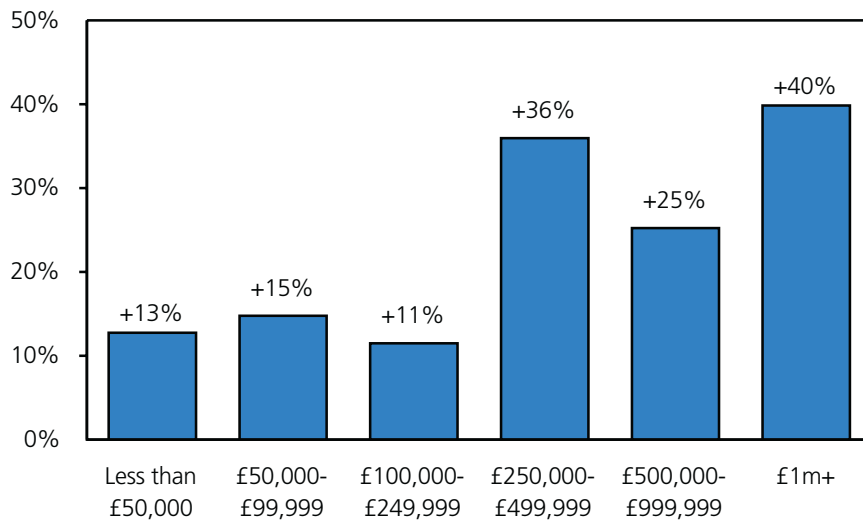
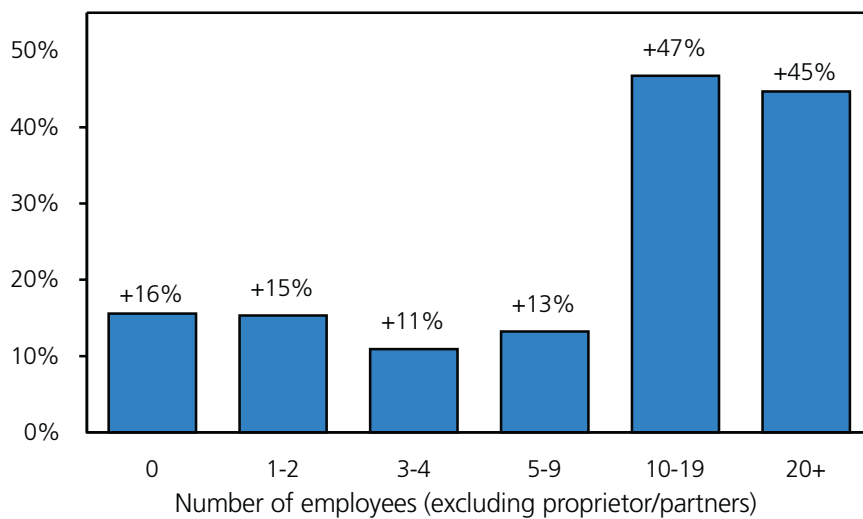
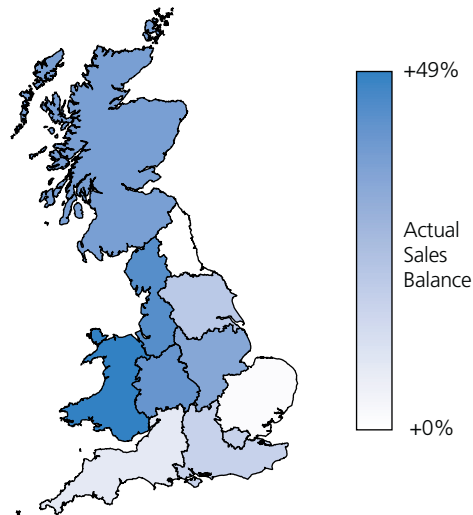


Chart 2.5: Percentage balance of respondents reporting an increase in sales over past year - by number of employees



## Performance: Comparison Across Regions

Chart 2.6: Percentage balance of respondents reporting an increase in sales over past year - by region



In recent surveys, Wales has been among the most positive regions and in this survey it remains the area where most small firms have seen sales increase. However, the balance is not as high as in the previous survey and their neighbours in the North West and West Midlands are almost as positive. Firms in Wales are no

longer those which have most often increased employment or selling prices.

The sales balance has improved most since the previous survey in London (previously the least positive) and Scotland.

Table 2.5: Change over past year in sales, employment, investment and selling prices by region

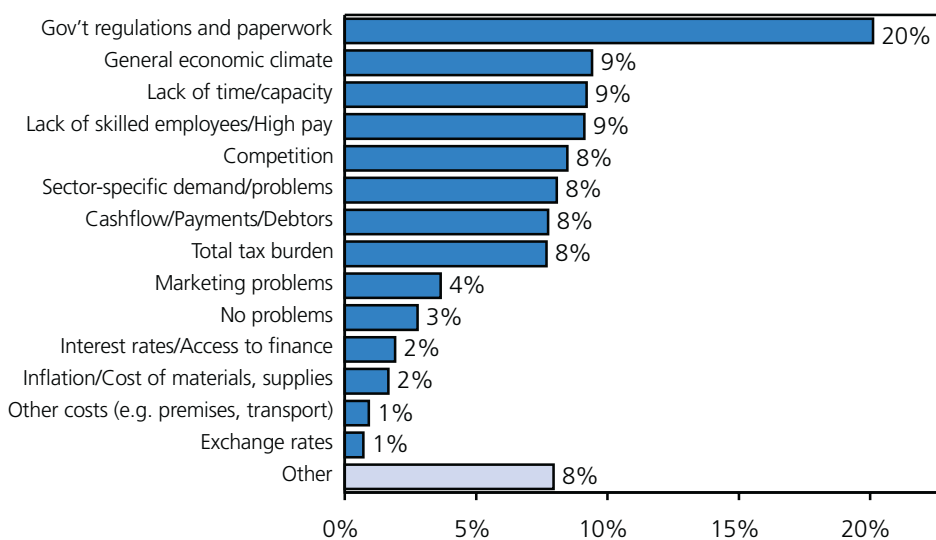
	Sales Turnover	Average Employment	Investment	Selling prices	Sample
North East	+0%	+12%	+29%	+35%	17
North West	+43%	+0%	+8%	+10%	79
Yorkshire & the Humber	+21%	+5%	+14%	+32%	63
East Midlands	+33%	+0%	-4%	+31%	51
West Midlands	+40%	-7%	+30%	+43%	67
East of England	+1%	+14%	+9%	+32%	78
London	+17%	+0%	+3%	+20%	71
South East	+17%	-1%	+6%	+10%	135
South West	+8%	+1%	-3%	+18%	74
Wales	+49%	+3%	+6%	+23%	35
Scotland	+36%	+11%	-9%	+35%	55



# Problems

*Falls in the proportions citing the general economic climate and cashflow/payments/debtors have consolidated government regulations and paperwork as the premier small business problem, though capacity shortages are also of increasing importance.*

Chart 3.1: Proportion indicating each as the single most important problem facing their business today - weighted by sector



Respondents were asked to select, from a list of fourteen, the most important problem facing their business on that day. Many firms face multiple problems, but we focus in this question on the single most important problem at the time.

## Government regulations and paperwork

Chart 3.1 and Table 3.1 show that government regulations and paperwork is the pre-eminent small business problem out of the list offered to small business owner/managers. One in five say that this is the single most important issue facing their business at the moment, making it more than twice as often a

bugbear as any other single issue. The proportion complaining of regulations and paperwork as the most important problem has doubled since a year ago (when the general economic climate was a much more pressing problem - Table 3.1 and Chart 3.2 overleaf).

Earlier surveys<sup>3</sup> have shown that employment legislation is a particular problem and Table 3.2 (on page 19) shows that well over a quarter of those firms with 10 or more employees say that regulations and paperwork is their biggest problem. However in this survey, the problem is top-ranked for firms of all sizes except those without any employees at all (i.e. those where the proprietor or partners work on their own).

<sup>3</sup> e.g. NatWest Quarterly Survey of Small Business in Britain, 2003 Q2.

Table 3.1: Most important problem, current survey compared with recent quarters

	2003 Q2	2003 Q3	2003 Q4	2004 Q1	2004 Q2
Gov't regulations and paperwork	10%	15%	18%	15%	20%
General economic climate	21%	18%	13%	11%	9%
Lack of time/capacity	9%	10%	8%	8%	9%
Lack of skilled employees/High pay	9%	9%	8%	7%	9%
Competition	7%	6%	8%	9%	8%
Sector-specific demand/problems	8%	9%	9%	8%	8%
Cashflow/Payments/Debtors	11%	6%	7%	11%	8%
Total tax burden	6%	9%	8%	9%	8%
Marketing problems	4%	3%	3%	3%	4%
No problems	2%	2%	3%	3%	3%
Interest rates/Access to finance	1%	1%	1%	2%	2%
Inflation/Cost of materials, supplies	1%	1%	1%	1%	2%
Other costs (e.g. premises, transport)	1%	1%	1%	2%	1%
Exchange rates	1%	1%	0%	2%	1%
Other	8%	7%	9%	8%	8%

Regulation and paperwork remains a particular problem for agricultural firms but in this survey is also the top-ranked problem for those in manufacturing, construction, hotels & restaurants, business services and health/education/leisure & other personal services.

#### Economic climate

Over the past year, the proportion of firms reporting that the biggest single problem facing their business is the general economic climate has slipped from 21% to 9% (Table 3.1 & Chart 3.2). From being easily the top-

Chart 3.2: Selected most important problems

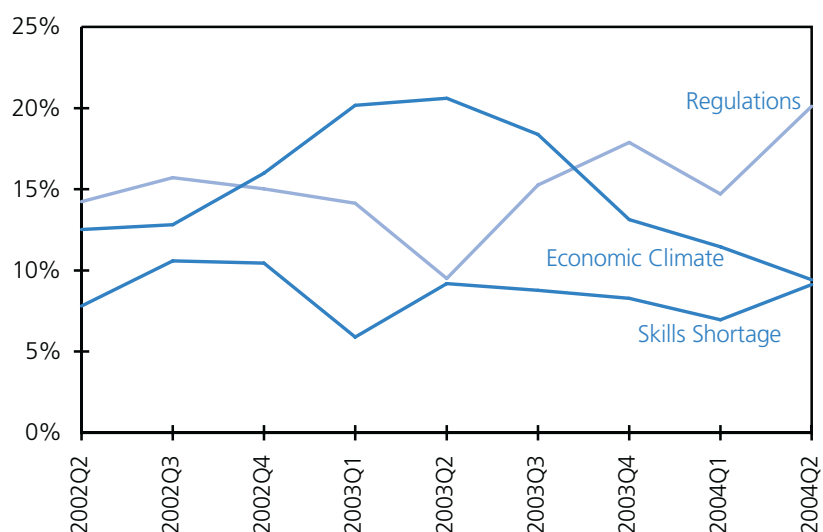


Table 3.2: Most important problem, by number of employees, excluding proprietor/partners

	0	1-2	3-4	5-9	10-19	20+
Gov't regulations and paperwork	10%	23%	14%	15%	27%	27%
General economic climate	8%	9%	13%	15%	7%	6%
Lack of time/capacity	12%	9%	12%	10%	6%	10%
Lack of skilled employees/High pay	3%	4%	5%	13%	10%	17%
Competition	8%	8%	8%	13%	8%	8%
Sector-specific demand/problems	11%	8%	9%	6%	9%	9%
Cashflow/Payments/Debtors	7%	9%	5%	7%	10%	6%
Total tax burden	7%	7%	13%	6%	7%	5%
Marketing problems	7%	4%	8%	3%	3%	1%
No problems	9%	4%	2%	2%	0%	1%
Interest rates/Access to finance	2%	3%	3%	1%	3%	1%
Inflation/Cost of materials, supplies	1%	1%	2%	2%	2%	2%
Other costs (e.g. premises, transport)	1%	0%	0%	1%	2%	1%
Exchange rates	1%	2%	0%	0%	3%	0%
Other (please specify)	12%	10%	7%	7%	1%	8%
No response	1%	1%	0%	1%	2%	0%
Sample	90	170	119	144	107	103

ranked problem, this now remains second in the rankings by a fraction of a percentage point.

#### Lack of time/skills

During periods when the economic climate is bleak firms naturally tend to cut back on investment and employment levels. However, this can sometimes leave them vulnerable to shortages of capacity when conditions improve. Although the balance of firms reporting increased sales is down a little in the current survey, it remains reasonably buoyant, while the proportion of firms complaining that the economic climate is their biggest problem has continued to fall. At the same time, the related problems of lack of time/capacity (now the top-ranked problem for firms with no employees other than the proprietor and partners - Table 3.2) and lack of skilled employees/high pay (a particular problem for those already employing 20 or more) have increased in relative importance. In the previous survey these were ranked as only the sixth and

eighth most important problems, but they are now up to third and fourth place, each only fractionally behind those complaining of the state of the general economic climate.

Business service firms are most likely to complain of lack of time/capacity, seemingly because they are most often firms where the proprietor/partners work on their own, without employees. Construction firms and hotels & restaurants, as is often the case, most frequently complain of a lack of skilled employees.

#### Other problems

The total tax burden is the top-ranked problem for transport firms (probably because of duty associated with recent fuel price rises).

Competition is ranked fifth overall, but is the most important problem for wholesalers (18%) and retailers (14%).



# Prospects

*Britain's small firms remain optimistic about their immediate prospects. The balance expecting their turnover to increase during the second quarter of 2004 is up only a little compared with the previous survey, but much higher than at this time last year.*

A balance of +24% of Britain's small firms expect their turnover to be higher in the second quarter of 2004 than in the first quarter (Table 4.1). This is just fractionally higher than the balance in the previous survey which expected their turnover to increase during the first quarter. More strikingly, and avoiding seasonal distortions, the balance is much higher than the +13% at this time last year (Chart 4.1).

Although most small firms do not expect to have changed the numbers they employ during the second quarter, slightly more than in the previous survey expect they will have recruited extra staff, lifting the net employment balance from +3% to +6%.

Fewer small firms than in the previous survey expect to increase the amount they invest. This does follow a very sharp increase in the previous survey and the balance

Chart 4.1: Percentage balance of respondents expecting an increase in sales, employment, investment or selling prices (weighted figures)

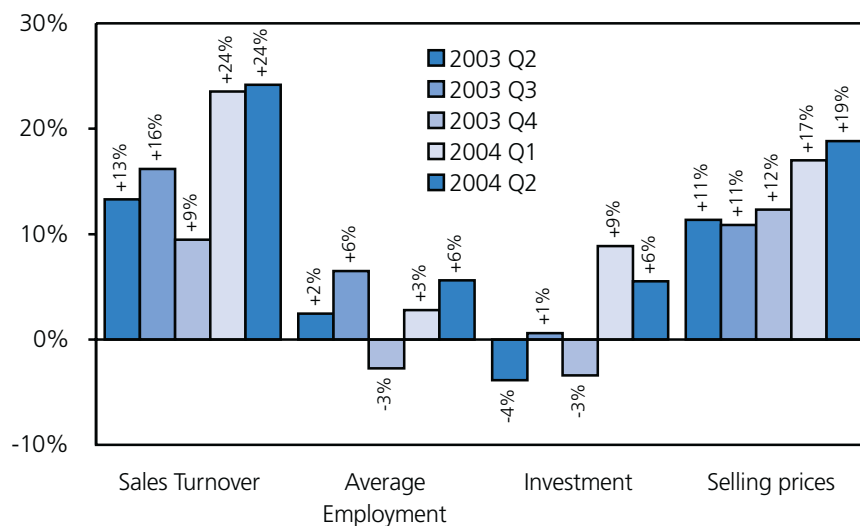


Table 4.1: Expected change over current quarter in sales, employment, investment and selling prices (weighted figures)

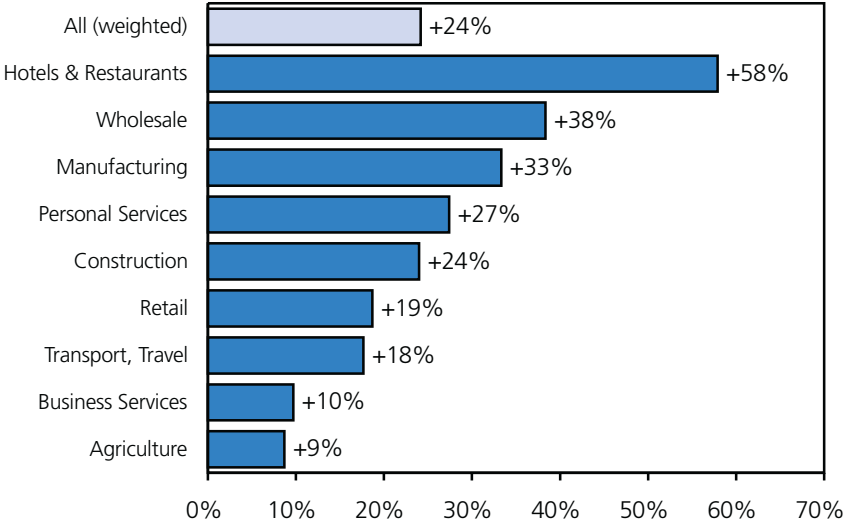
Expected change over current quarter (2004Q2 on 2004Q1) in:	Up	Down	Same	No response	Balance
Sales Turnover	46%	21%	31%	3%	+24%
Average Employment	14%	9%	71%	6%	+6%
Investment	19%	13%	62%	7%	+6%
Selling prices	26%	7%	60%	6%	+19%

remains well above that at this time last year, when more firms were expecting to cut than to increase investment. Nevertheless, it suggests that many small firms remain cautious about medium-term prospects. Although the increase in the relative importance of capacity shortages has been highlighted in the 'problems' section of this report, it seems that few small firms are confident enough to believe that an investment in extra capacity would be worthwhile in anticipation of an increase in demand.

The balance of small firms expecting to increase their average selling prices during the quarter has continued to rise, from +17% to a new high of +19%. Since our previous report, the Bank of England had already twice (in May and June) raised base rates by a quarter of a percentage point in an attempt to reduce inflationary pressures. In early August, after questionnaires for this survey were completed, rates were raised by a further quarter point, to 4.75%.

# Prospects: Comparison Across Business Sectors

Chart 4.2: Percentage balance of respondents expecting an increase in sales over current quarter - by sector



Hotels & restaurants is a highly seasonal sector - turnover is usually much higher in the summer months than in winter. It is therefore no great surprise that since the previous survey this has jumped from being the least optimistic to the most optimistic sector about immediate turnover prospects. A balance of +58% of small hoteliers and restaurateurs expect their turnover to be higher in the second quarter of 2004 than it was in the first (Chart 4.2 and Table 4.2). It is not unprecedented for these firms to be far more positive than their counterparts in other sectors at this time of the year. The balance now is just a little above the +51% in the survey carried out one year ago. Hotels & restaurants are also, by some margin, the small firms most likely to expect to increase the numbers they employ, the amount they invest and their selling prices during the second quarter of 2004. The employment balance of +29% is particularly striking, comparing with

only +10% at this time last year. This should be read in conjunction with the fact that 16% of small hoteliers and restaurateurs say that the biggest single problem facing their business at the moment is the lack of skilled employees/high pay, ranked the joint-top problem for firms in this sector.

Wholesalers are the next most positive sector about sales prospects. In this case this does not appear to be a seasonal issue, as the balance of +38% compares with only +7% at this time last year. These positive sentiments seem to continue further up the supply chain. Although the balance of +19% of small retailers expecting to increase sales makes this one of the less positive sectors, the balance is six percentage points higher than in the previous survey and 27 points higher than at this time last year, when more small retailers expected their sales to fall than expected them to rise.



Table 4.2: Expected change over quarter in sales, employment, investment and selling prices by sector

	Sales Turnover	Average Employment	Investment	Selling prices	Sample
Agriculture, Forestry, Fisheries	+9%	+4%	-9%	+17%	23
Manufacturing	+33%	+7%	+13%	+20%	144
Transport, Travel	+18%	-6%	+9%	+24%	34
Construction	+24%	+8%	+12%	+27%	75
Wholesale	+38%	+10%	+13%	+17%	60
Retail	+19%	-4%	+11%	+10%	107
Hotels & Restaurants	+58%	+29%	+16%	+37%	38
Business Services	+10%	-3%	-5%	+8%	196
Personal Services	+27%	+13%	+0%	+24%	62
All (weighted by sector)	+24%	+6%	+6%	+19%	739

Official figures also show robust sales growth for the retailing sector as a whole, with sales up by 1.9 per cent in the three months to June.

After a brief upsurge in optimism in the previous survey, the balance of firms in the business services/real estate/finance/renting sector expecting an increase in turnover has settled back down to a more usual +10%, the same as in the survey of six months ago and just a little higher than at this time last year.

Unlike business services, the improvement in optimism among small manufacturers in the previous survey has been sustained. The balance expecting an increase in sales during the second quarter is unchanged at +33%, meaning that this sector, previously beleaguered for many years, remains one of the most positive in this survey. Official figures showed growth of 0.9 per cent in economy-wide manufacturing output in the three months to June.

## Prospects: Comparison Across Size Bands

Table 4.3: Expected change in sales, employment, investment and selling prices by turnover size band

Annual turnover (excluding VAT)	Sales Turnover	Average Employment	Investment	Selling prices	Sample
Less than £50,000	+5%	-1%	-1%	+12%	94
£50,000-£99,999	+15%	-4%	-4%	+17%	115
£100,000-£249,999	+10%	+2%	+5%	+10%	148
£250,000-£499,999	+36%	-2%	+7%	+18%	128
£500,000-£999,999	+43%	+10%	+14%	+19%	115
£1m+	+32%	+20%	+14%	+26%	133
All (weighted by sector)	+24%	+6%	+6%	+19%	739



The division in fortunes between the smallest and relatively larger firms taking part in the survey appears set to persist. Tables and Charts 4.3 and 4.4 show that firms with a turnover of over £250,000 and those with 10 or more employees most often expect that their sales will have continued to increase during the second quarter of 2004.

Table 4.4: Expected change in sales, employment, investment and selling prices by employee size band

Number of employees (not including proprietor/partners)	Sales Turnover	Average Employment	Investment	Selling prices	Sample
0	+19%	+2%	+3%	+16%	90
1-2	+8%	-3%	+2%	+14%	170
3-4	+17%	+1%	+2%	+21%	119
5-9	+18%	-2%	+3%	+11%	144
10-19	+50%	+11%	+17%	+21%	107
20+	+43%	+24%	+14%	+28%	103
All (weighted by sector)	+24%	+6%	+6%	+19%	739



Chart 4.3: Percentage balance of respondents expecting an increase in sales, by turnover size band

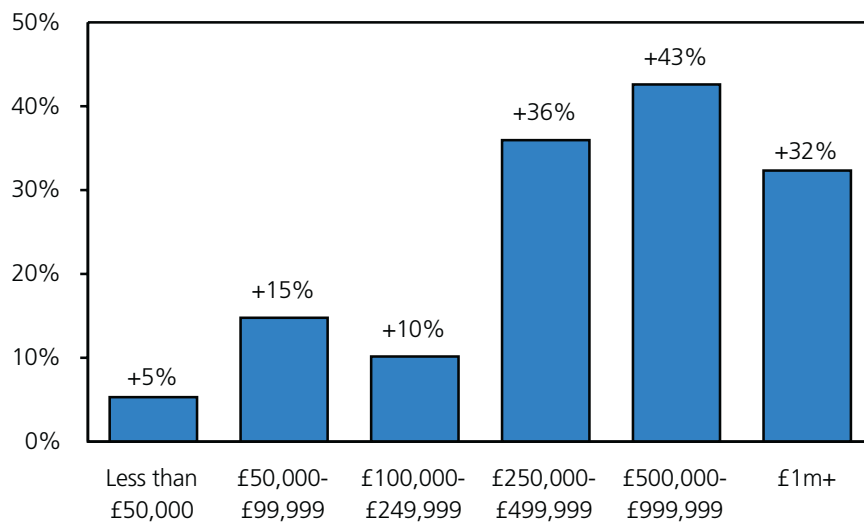
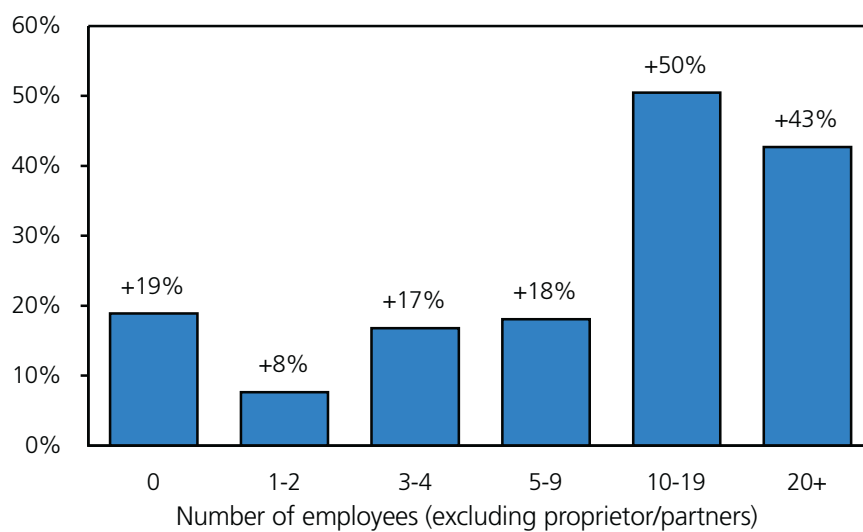


Chart 4.4: Percentage balance of respondents expecting an increase in sales, by employee size band





## Prospects: Comparison Across Regions

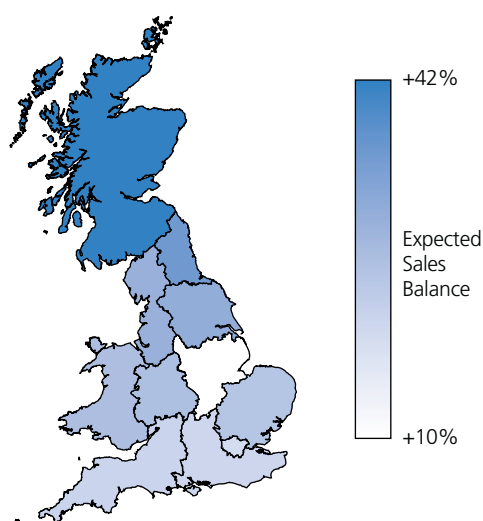
Table 4.5: Expected change over current quarter in sales, employment, investment and selling prices - by region

	Sales Turnover	Average Employment	Investment	Selling prices	Sample
North East	+35%	+6%	+24%	+24%	17
North West	+29%	+5%	+16%	+13%	79
Yorkshire & the Humber	+30%	+11%	+22%	+37%	63
East Midlands	+10%	-14%	+2%	+18%	51
West Midlands	+25%	+3%	+6%	+27%	67
East of England	+24%	+12%	+6%	+14%	78
London	+18%	+3%	+11%	+15%	71
South East	+20%	+1%	+1%	+8%	135
South West	+20%	+5%	-7%	+11%	74
Wales	+26%	+11%	+6%	+17%	35
Scotland	+42%	+5%	-2%	+24%	55

Small firms in Scotland, followed by their neighbours in the North East of England, are the most optimistic about their sales prospects for the second quarter of 2004.

Firms in the East Midlands are the least optimistic about sales prospects and this is also the only region where more small firms expect to cut the number of people they employ during the year than expect to recruit extra staff.

Chart 4.5: Percentage balance for the expected change in sales - by region



## How the survey is carried out

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Firms that respond to the survey are drawn from a wide range of sources. They reflect the complexity and richness of business life in Britain today. **Additions to the sample from individual small businesses and from business organizations are always welcome.**

It should be noted that the SERTeam survey is not a panel, nor is it fully random. It continuously recruits new members to reflect the national distribution of small firms; yet it also retains long time respondents to gauge changes over time.

Questionnaires for this survey were despatched from 23rd June 2004 to 2,996 owners and managers of small businesses which had previously volunteered to take part, 815 by e-mail and the remainder by post.

By the cut-off date of 15th July, a total of 739 completed questionnaires had been received.

Note that where comparisons are made with 'earlier surveys', these refer to Volumes 1 to 18 of the NatWest/SBRT Quarterly Survey of Small Business in Britain.

Following the well-established practice of the CBI in its **Industrial Trends Survey**, a summary statistic, the **balance**, is used to monitor the responses to key questions. The balance is the percentage of respondents replying 'up' minus the percentage

replying 'down' (we ignore, for this purpose, the percentage replying 'same').

The key balances for the questions on performance, expectations and problems are split by industrial sector and re-weighted according to the national sectoral small firm distribution, using DTI estimates of total employment by firms with fewer than 50 employees. In earlier surveys results for previous years were re-weighted as DTI estimates for those years became available. To avoid continuous revisions figures are now weighted by the latest figures available (currently 2002) and not revised. The aim of the weighting is to ensure that the results are as representative as possible of the business population in Britain. (Between 1989 and 1995 results were weighted by the sectoral distribution of all VAT-registered businesses and prior to 1989 they were unweighted.)

Please note, however, that other breakdowns by industrial sector, region and firm size and the tables in the special topic section use unweighted data and are not seasonally adjusted.

The survey reports in each issue on changes in sales, employment, investment and prices and on the ranking of most important problems experienced by small firms. The percentage balances for sales, employment, investment and prices are shown in Appendix Table A.1. In addition, each issue covers one or more special topics, designed to contribute to knowledge about small business in Britain.

# Survey Details

## Historical Tables

Table A.1: Actual and expected changes, percentage balance

Survey	Sample Size	Past Quarter Date	Actual Change, past quarter compared with same quarter last year				Expected Change, next quarter compared to past quarter					
			Sales		Investment		Sales		Employment		Investment Prices	
			Employment	Prices	U	S	U	S	U	U		
Vol.1 No.1a	3,056	1984/3	+34.7%	+10.5%	-	-	+21.2%	+23.1%	+3.3%	+5.2%	-	-
Vol.1 No.1b	1,795	1984/4	+32.6%	+10.4%	-	-	+9.5%	+17.7%	+0.9%	+3.9%	-	-
Vol.1 No.2	1,181	1985/1	+33.4%	+17.6%	-	-	+16.9%	+9.4%	+9.5%	+7.1%	-	-
Vol.1 No.3	1,090	1985/2	+34.4%	+11.2%	-	-	+31.4%	+28.8%	+5.3%	+2.8%	-	-
Vol.1 No.4	1,072	1985/3	+37.4%	+12.1%	-	-	+26.2%	+28.1%	+5.3%	+7.2%	-	-
Vol.2 No.1	1,326	1985/4	+41.4%	+12.6%	-	-	+9.8%	+18.0%	+5.3%	+8.3%	-	-
Vol.2 No.2	1,052	1986/1	+33.6%	+11.6%	-	-	+31.1%	+23.6%	+5.6%	+3.2%	-	-
Vol.2 No.3	1,285	1986/2	+35.5%	+14.2%	-	-	+29.6%	+27.0%	+11.9%	+9.4%	-	-
Vol.2 No.4	1,435	1986/3	+39.7%	+15.2%	-	-	+22.3%	+24.2%	+6.0%	+7.9%	-	-
Vol.3 No.1	1,116	1986/4	+40.0%	+13.4%	-	-	+17.0%	+25.2%	+4.6%	+7.6%	-	-
Vol.3 No.2	1,746	1987/1	+40.2%	+15.2%	-	-	+39.7%	+32.2%	+15.1%	+12.7%	-	-
Vol.3 No.3	1,113	1987/2	+44.7%	+23.1%	-	-	+36.8%	+34.2%	+13.2%	+10.7%	-	-
Vol.3 No.4	977	1987/3	+44.8%	+17.6%	-	-	+28.8%	+30.7%	+10.0%	+11.9%	-	-
Vol.4 No.1	1,042	1987/4	+52.7%	+23.4%	-	-	+31.4%	+39.6%	+10.5%	+13.5%	-	-
Vol.4 No.2	933	1988/1	+52.7%	+19.3%	-	-	+46.7%	+39.2%	+15.3%	+12.9%	-	-
Vol.4 No.3	983	1988/2	+55.0%	+22.0%	-	-	+47.9%	+45.3%	+19.1%	+16.6%	-	-
Vol.4 No.4	950	1988/3	+54.9%	+22.3%	-	-	+34.4%	+36.3%	+13.3%	+15.2%	-	-
Vol.5 No.1A	1,523	1988/4	+49.2%	+15.1%	-	-	+25.6%	+33.8%	+5.7%	+8.7%	-	-
Vol.5 No.2	947	1989/1	+38.8%	+18.1%	-	-	+18.6%	+11.1%	+5.6%	+3.2%	-	-
Vol.5 No.3	2,274	1989/2	+41.1%	+16.7%	-	-	+30.8%	+28.2%	+10.4%	+7.9%	-	-
Vol.5 No.4	795	1989/3	+33.5%	+18.3%	-	-	+20.2%	+22.1%	+7.4%	+9.3%	-	-
Vol.6 No.1	1,091	1989/4	+29.9%	+10.5%	-	-	+10.6%	+18.8%	+0.9%	+3.9%	-	-
Vol.6 No.2	1,384	1990/1	+31.4%	+9.9%	-	-	+24.4%	+17.0%	+3.5%	+1.1%	-	-
Vol.6 No.3	1,043	1990/2	+22.3%	+4.8%	-	-	+14.7%	+12.1%	+0.9%	-1.7%	-	-
Vol.6 No.4	1,312	1990/3	+18.2%	+3.5%	-	-	+3.6%	+5.5%	-4.1%	-2.1%	-	-
Vol.7 No.1	1,239	1990/4	-0.5%	-5.1%	-	-	-16.0%	-7.8%	-14.4%	-11.4%	-	-
Vol.7 No.2	984	1991/1	-8.6%	-11.6%	-12.7%	-	+12.3%	+4.9%	-7.6%	-10.0%	-15.0%	-
Vol.7 No.3	1,718	1991/2	-12.5%	-17.3%	-20.0%	-	-5.2%	-7.8%	-11.5%	-14.1%	-20.6%	-
Vol.7 No.4	835	1991/3	-14.8%	-19.9%	-15.0%	-	-1.0%	+0.9%	-17.5%	-15.5%	-15.1%	-
Vol.8 No.1	1,684	1991/4	-7.9%	-15.6%	-20.5%	-	-9.4%	-1.2%	-16.9%	-13.9%	-13.3%	-
Vol.8 No.2	1,359	1992/1	-1.8%	-17.2%	-13.9%	-	+19.5%	+12.0%	-5.5%	-7.9%	-6.8%	-
Vol.8 No.3	1,527	1992/2	-9.2%	-14.6%	-18.7%	-	+4.2%	+1.6%	-5.9%	-8.4%	-11.8%	-
Vol.8 No.4	921	1992/3	-15.9%	-27.8%	-32.7%	-	-6.2%	-4.3%	-17.7%	-15.8%	-24.1%	-
Vol.9 No.1	1,339	1992/4	-9.1%	-15.1%	-21.0%	-	-4.0%	+4.3%	-10.7%	-7.7%	-13.1%	-
Vol.9 No.2	1,021	1993/1	-3.8%	-12.4%	-11.3%	-	+23.5%	+16.0%	+0.7%	-1.7%	-0.8%	-
Vol.9 No.3	1,310	1993/2	+0.9%	-7.9%	-7.4%	-	+19.1%	+16.4%	+4.3%	+1.7%	-0.5%	-
Vol.9 No.4	1,076	1993/3	+8.3%	-1.6%	-7.0%	-	+14.7%	+16.6%	-3.4%	-1.4%	-4.5%	-
Vol.10 No.1	1,295	1993/4	+13.8%	+3.5%	-3.3%	-	+15.1%	+23.4%	-0.2%	+2.8%	+3.3%	-
Vol.10 No.2	861	1994/1	+3.6%	-4.3%	-3.8%	-	+23.0%	+15.5%	-1.1%	-3.5%	+3.7%	-
Vol.10 No.3	2,327	1994/2	+16.2%	+0.8%	-3.3%	-	+18.4%	+15.8%	+1.6%	-0.9%	-2.2%	-
Vol.10 No.4	1,046	1994/3	+20.3%	+7.6%	+0.6%	-	+14.6%	+16.5%	-0.2%	+1.7%	+1.9%	-
Vol.11 No.1B	983	1994/4	+20.6%	+2.1%	+4.1%	-	+17.2%	+25.4%	+3.7%	+6.7%	+2.4%	-
Vol.11 No.2	1,295	1995/1	+18.2%	+3.2%	+1.4%	-	+27.8%	+20.3%	+5.7%	+3.4%	+5.0%	-
Vol.11 No.3	669	1995/2	+18.0%	+3.2%	+1.1%	-	+18.6%	+15.9%	+4.3%	+1.8%	-1.5%	-
Vol.11 No.4	1,047	1995/3	+13.1%	+3.3%	+3.1%	-	+14.0%	+15.9%	-1.9%	+0.1%	-2.1%	-

continued ...

Table A.1: Actual and expected changes, percentage balance (continued)

Survey	Sample Size	Past Quarter Date	Actual Change, past quarter compared with same quarter last year				Expected Change, next quarter compared to past quarter					
			Sales	Investment	Prices	-	Sales		Employment		Investment	Prices
			Employment	U			S	U	S	U	U	
Vol.12 No.1	700	1995/4	+10.0%	-2.9%	+1.9%	-	+2.6%	+10.8%	-6.7%	-3.7%	-5.2%	-
Vol.12 No.2	1,099	1996/1	+14.2%	+2.5%	+1.0%	-	+20.7%	+13.3%	+1.9%	-0.5%	-2.8%	-
Vol.12 No.3	742	1996/2	+10.5%	+3.9%	+5.1%	-	+16.1%	+13.4%	+3.3%	+0.8%	-2.7%	-
Vol.12 No.4	753	1996/3	+23.1%	+8.9%	+7.2%	-	+24.3%	+26.2%	+5.1%	+7.1%	+6.1%	-
Vol.13 No.1	912	1996/4	+20.4%	+9.8%	+10.9%	-	+17.4%	+25.6%	+4.8%	+7.7%	+7.2%	-
Vol.13 No.2	720	1997/1	+13.6%	+2.0%	+9.9%	-	+27.7%	+20.3%	+8.6%	+6.3%	+7.0%	-
Vol.13 No.3	909	1997/2	+18.0%	+5.3%	+5.2%	-	+22.2%	+19.5%	+7.3%	+4.7%	+2.4%	-
Vol.13 No.4	634	1997/3	+21.5%	+12.1%	+10.7%	-	+24.1%	+26.0%	+3.9%	+5.8%	+3.8%	-
Vol.14 No.1	783	1997/4	+21.1%	+1.7%	+10.4%	-	+12.8%	+21.0%	-0.7%	+2.3%	+3.9%	-
Vol.14 No.2	1,273	1998/1	+19.3%	+3.0%	+12.4%	-	+21.3%	+13.8%	+3.9%	+1.5%	+2.2%	-
Vol.14 No.3	682	1998/2	+9.0%	+5.0%	+5.0%	-	+10.3%	+7.6%	+5.6%	+3.1%	+2.0%	-
Vol.14 No.4	654	1998/3	-2.5%	-0.4%	+4.6%	+10.0%	+3.0%	+4.9%	-2.9%	-1.0%	-8.0%	+0.5%
Vol.15 No.1	601	1998/4	+5.9%	+0.5%	+2.8%	+9.3%	-5.0%	+3.2%	-2.9%	+0.1%	-5.7%	+5.6%
Vol.15 No.2	619	1999/1	+6.9%	-2.3%	+3.4%	+15.7%	+20.8%	+13.3%	+4.4%	+2.0%	+1.3%	+14.6%
Vol.15 No.3	507	1999/2	-4.9%	-4.3%	-2.7%	+8.5%	+6.8%	+4.2%	+0.1%	-2.4%	-5.0%	+4.8%
Vol.15 No.4	1,121	1999/3	+9.2%	-2.0%	+2.5%	+13.7%	+11.4%	+13.3%	-0.7%	+1.3%	+0.1%	+5.8%
Vol.16 No.1	812	1999/4	+9.3%	-4.2%	+1.8%	+16.0%	+6.4%	+14.6%	-2.5%	+0.5%	+1.9%	+15.2%
Vol.16 No.2	866	2000/1	+9.6%	-2.6%	+2.2%	+16.9%	+22.6%	+15.1%	+5.4%	+3.0%	+2.8%	+14.0%
Vol.16 No.3	758	2000/2	+2.1%	+0.5%	-1.5%	+17.0%	+11.7%	+9.0%	+3.0%	+0.5%	-1.2%	+9.2%
Vol.16 No.4	803	2000/3	+5.0%	-5.0%	+3.1%	+15.3%	+6.3%	+8.2%	-2.7%	-0.7%	-0.7%	+12.4%
Vol.17 No.1	726	2000/4	+8.6%	-0.5%	+4.3%	+16.7%	+3.7%	+11.9%	+0.5%	+3.4%	+3.7%	+16.3%
Vol.17 No.2	856	2001/1	+3.2%	-3.3%	+1.9%	+18.7%	+12.1%	+4.6%	+1.7%	-0.7%	-2.8%	+16.2%
Vol.17 No.3	720	2001/2	+4.9%	-1.4%	+3.1%	+22.4%	+9.5%	+6.8%	+1.2%	-1.3%	-2.2%	+14.2%
Vol.17 No.4	705	2001/3	+5.3%	+0.3%	+3.9%	+18.2%	+3.7%	+5.6%	-2.9%	-0.9%	-5.4%	+6.2%
Vol.18 No.1	654	2001/4	+2.5%	-4.2%	-3.0%	+13.6%	-2.3%	+5.9%	-2.0%	+1.0%	-7.1%	+10.0%
Vol.18 No.2 old	675	2002/1	+5.4%	-2.7%	-2.7%	+14.6%	+20.0%	+12.6%	+5.8%	+3.4%	+2.3%	+11.9%
Vol.18 No.2	1,168	2002/1	+14.7%	+1.2%	+1.4%	+13.1%	+31.0%	-	+8.1%	-	+4.2%	+14.3%
Vol.18 No.3	1,078	2002/2	+22.9%	+8.5%	+7.0%	+22.6%	+24.5%	-	+10.7%	-	+5.9%	+15.2%
Vol.18 No.4	1,074	2002/3	+17.2%	+4.1%	+0.1%	+16.8%	+13.7%	-	-1.2%	-	-4.0%	+7.9%
2003 No.1	922	2002/4	+15.5%	+2.7%	-5.8%	+19.5%	+3.2%	-	-6.2%	-	-10.9%	+11.4%
2003 No.2	851	2003/1	+9.0%	-4.7%	-10.7%	+17.2%	+13.3%	-	+2.4%	-	-3.9%	+11.3%
2003 No.3	784	2003/2	+15.4%	+1.6%	+5.8%	+24.6%	+16.2%	-	+6.5%	-	+0.6%	+10.9%
2003 No.4	687	2003/3	+10.1%	-3.0%	+2.7%	+23.8%	+9.5%	-	-2.7%	-	-3.4%	+12.3%
2004 No.1	808	2003/4	+27.2%	+7.3%	+15.0%	+22.3%	+23.5%	-	+2.8%	-	+8.9%	+17.0%
2004 No.2	739	2004/1	+23.1%	+1.3%	+7.2%	+27.0%	+24.2%	-	+5.6%	-	+5.5%	+18.8%

Notes: Because the balances referring to the expected sales turnover and employment in the next quarter have a pronounced seasonal trend we have also constructed seasonally-adjusted figures for these balances. These are listed in Appendix Table A.1 above. The breakdowns by size, sector and region are not seasonally adjusted, neither are the figures in Table 1.1.

a, b – The results from two surveys were published in Vol. 1 No. 1

A – From Vol. 5 No. 1, results were weighted to the sectoral distribution according to VAT statistics.

B – From Vol. 11 No. 1, results are weighted to the sectoral distribution of employment in firms with under 50 employees according to DTI statistics.

Key: U – Unadjusted, S – Seasonally adjusted

Table A.2: Most important problem, historical series

	Inflation	Interest Rates	Access to Finance	Lack of Skilled Employees	Total Tax Burden	Low T/Over or Lack of Business	Competition from Big Business	Govt Regs and Paperwork	High Rates of Pay	Shortage of Materials, Supplies etc.	Internal Management Difficulties	Cashflow/ Payments/ Debtors	Premises, Rents, Rates	Other	No Response	Number of Replies Analysed
1984/4	3.5%	17.1%	-	5.4%	15.9%	15.3%	12.0%	12.6%	4.2%	1.1%	-	-	-	10.9%	1.4%	3,056
1985/1	3.8%	19.4%	-	4.4%	15.9%	14.5%	10.0%	15.7%	3.4%	1.3%	-	-	-	9.5%	1.5%	1,795
1985/2	5.0%	22.1%	-	4.3%	16.1%	14.3%	10.8%	12.5%	2.4%	1.3%	-	-	-	9.1%	1.5%	1,181
1985/3	2.0%	23.6%	-	4.9%	12.8%	13.8%	11.2%	13.1%	3.7%	1.9%	-	-	-	8.6%	3.8%	1,090
1985/4	2.2%	24.0%	-	5.6%	16.6%	15.7%	11.0%	10.2%	2.0%	0.9%	-	-	-	9.2%	2.0%	1,072
1986/1	3.0%	21.4%	-	7.2%	17.1%	14.4%	11.7%	9.6%	2.0%	0.8%	-	-	-	9.9%	1.3%	1,326
1986/2	1.7%	29.9%	-	7.3%	16.3%	12.6%	9.1%	9.9%	2.2%	1.2%	-	-	-	9.4%	0.6%	1,052
1986/3	0.9%	21.3%	-	7.3%	16.6%	17.0%	11.5%	7.3%	1.4%	0.9%	-	-	-	13.7%	2.0%	1,285
1986/4	1.1%	25.0%	-	7.2%	17.7%	14.7%	11.8%	6.8%	1.3%	1.3%	-	-	-	10.0%	3.1%	1,435
1987/1	0.9%	26.4%	-	8.0%	16.0%	13.0%	12.0%	7.4%	1.6%	1.3%	-	-	-	9.1%	4.2%	1,166
1987/2	1.0%	23.7%	-	9.6%	17.7%	12.0%	10.7%	7.6%	2.6%	1.5%	-	-	-	10.3%	3.3%	1,746
1987/3	1.1%	20.3%	-	11.8%	17.9%	12.9%	11.5%	6.6%	1.9%	2.2%	-	-	-	10.5%	3.5%	1,113
1987/4	1.1%	18.0%	-	11.1%	21.3%	13.0%	12.5%	6.3%	1.3%	1.3%	-	-	-	9.6%	4.5%	977
1988/1	0.7%	21.6%	-	11.1%	20.1%	9.6%	11.4%	6.1%	2.3%	1.9%	-	-	-	14.9%	0.3%	1,042
1988/2	1.0%	19.4%	-	12.7%	15.5%	10.2%	14.4%	8.0%	1.8%	2.3%	-	-	-	13.7%	1.4%	933
1988/3	2.8%	17.6%	-	17.7%	13.7%	11.3%	11.4%	8.3%	2.4%	2.7%	-	-	-	11.4%	2.4%	983
1988/4	0.9%	25.5%	-	16.9%	12.5%	8.7%	10.4%	6.0%	1.3%	3.3%	-	-	-	10.6%	1.9%	950
1989/1A	5.3%	23.4%	-	16.4%	11.1%	5.7%	5.9%	7.2%	1.4%	0.3%	-	-	-	19.0%	4.3%	1,523
1989/2	6.3%	28.4%	-	14.0%	12.2%	13.1%	6.0%	5.2%	1.0%	0.8%	-	-	-	14.5%	4.7%	947
1989/3	6.1%	32.9%	-	13.3%	7.1%	13.1%	6.0%	5.9%	1.5%	0.5%	-	-	-	12.1%	1.6%	2,274
1989/4	6.9%	39.2%	-	10.4%	5.4%	12.9%	4.7%	5.1%	1.1%	0.6%	-	-	-	12.2%	1.4%	795
1990/1	4.2%	31.3%	3.1%	6.7%	5.3%	13.3%	-	5.5%	2.5%	0.7%	0.6%	11.5%	8.4%	5.3%	1.7%	1,091
1990/2	6.7%	27.9%	3.2%	7.8%	2.9%	14.6%	-	5.6%	1.5%	0.3%	1.6%	13.6%	6.6%	8.2%	1.4%	1,384
1990/3	4.3%	29.9%	3.6%	6.4%	3.7%	14.7%	3.1%	4.3%	1.6%	0.0%	1.9%	13.6%	4.8%	5.5%	2.5%	1,043
1990/4	7.5%	26.6%	2.3%	5.7%	4.4%	18.9%	3.8%	5.6%	0.2%	0.3%	0.8%	8.6%	4.7%	7.9%	1.9%	1,250
1991/1	6.0%	29.4%	2.7%	3.4%	4.2%	21.1%	2.6%	5.6%	0.9%	0.5%	0.8%	11.4%	4.2%	5.5%	1.9%	1,239
1991/2	4.0%	21.2%	4.3%	2.9%	5.1%	25.2%	2.9%	4.0%	0.4%	0.4%	0.6%	14.9%	7.1%	6.0%	1.0%	984
1991/3	3.3%	15.0%	3.0%	2.3%	4.7%	37.5%	2.4%	6.7%	1.2%	0.3%	1.2%	11.0%	3.3%	6.7%	1.5%	1,718
1991/4	1.2%	7.5%	4.6%	4.5%	4.1%	38.1%	3.4%	3.9%	0.7%	0.3%	1.3%	13.2%	5.7%	10.7%	0.8%	835
1992/1	2.0%	9.1%	5.2%	2.1%	5.6%	36.3%	3.2%	5.6%	0.5%	0.4%	1.2%	15.8%	4.0%	7.1%	1.8%	1,684
1992/2	2.2%	11.6%	4.4%	3.4%	5.4%	43.3%	4.5%	5.3%	0.4%	0.3%	1.1%	13.4%	5.0%	7.4%	1.3%	1,359
1992/3	1.6%	7.6%	3.9%	2.9%	5.1%	43.3%	2.1%	8.1%	0.3%	1.0%	0.8%	13.5%	3.0%	5.9%	0.8%	1,527
1992/4	1.0%	8.8%	3.6%	1.6%	6.0%	44.3%	4.0%	8.0%	0.5%	0.3%	0.2%	11.5%	3.0%	5.2%	2.0%	921
1993/1	0.6%	3.7%	3.2%	3.2%	4.1%	47.7%	3.0%	6.2%	0.3%	1.2%	0.6%	13.1%	2.9%	8.4%	1.8%	1,339
1993/2	0.5%	1.4%	5.4%	3.3%	5.4%	43.1%	4.0%	7.6%	0.5%	0.7%	1.6%	14.3%	2.9%	7.4%	1.6%	1,021
1993/3	0.4%	2.1%	5.5%	4.5%	5.4%	41.2%	4.2%	12.6%	0.3%	0.7%	0.9%	10.9%	3.7%	5.9%	1.6%	1,310
1993/4	1.0%	2.8%	6.9%	3.0%	6.5%	36.8%	4.3%	10.0%	0.3%	0.6%	2.5%	15.5%	3.3%	4.6%	2.0%	1,076
1994/1	0.6%	1.9%	5.5%	4.2%	6.8%	34.1%	6.9%	11.0%	0.1%	0.6%	1.1%	14.4%	4.1%	6.9%	1.7%	1,295
1994/2	1.1%	1.6%	3.8%	5.4%	7.0%	35.3%	5.2%	13.9%	0.1%	0.4%	1.4%	14.0%	3.2%	6.4%	1.3%	861
1994/3	0.9%	1.5%	3.6%	4.9%	5.9%	37.7%	5.9%	9.7%	0.9%	0.8%	2.1%	13.3%	3.1%	7.6%	2.0%	2,327
1994/4	1.1%	1.2%	4.7%	4.8%	6.4%	35.7%	6.3%	10.4%	0.1%	1.1%	1.6%	12.5%	3.8%	7.6%	2.5%	1,046
1995/1B	0.8%	2.7%	4.0%	6.1%	6.2%	37.7%	6.9%	6.7%	0.6%	1.1%	3.0%	12.5%	2.0%	7.4%	2.2%	983
1995/2	1.2%	2.0%	3.4%	5.1%	6.9%	36.7%	6.1%	8.0%	0.6%	0.9%	2.7%	12.2%	3.8%	9.4%	1.0%	1,295
1995/3	1.1%	3.8%	4.2%	4.0%	6.8%	37.6%	8.8%	7.1%	0.5%	0.5%	1.1%	11.4%	5.9%	6.8%	0.4%	669
1995/4	1.1%	0.8%	3.4%	6.0%	6.0%	39.1%	6.3%	9.1%	0.7%	0.3%	2.4%	12.0%	2.8%	9.3%	0.9%	1,047

continued ...

Table A.2: Most important problem, historical series (continued)

	Inflation	Interest Rates	Access to Finance	Lack of Skilled Employees	Total Tax Burden	Low Turnover or Lack of Business	Competition from Big Business	Govt Regs and Paperwork	High Rates of Pay	Shortage of Materials, Supplies etc.	Internal Management Difficulties	Cashflow/ Payments/ Debtors	Premises, Rents, Rates	Other	No Response	Number of Replies Analysed
1996/1	2.2%	0.6%	3.3%	4.5%	6.5%	38.2%	6.7%	5.1%	0.3%	0.7%	1.7%	12.8%	3.7%	11.5%	2.1%	700
1996/2	0.4%	0.7%	2.6%	4.4%	6.5%	36.6%	6.1%	8.8%	0.4%	0.5%	2.6%	13.1%	3.4%	13.1%	1.0%	1,099
1996/3	0.2%	0.7%	3.7%	6.1%	6.3%	31.8%	8.1%	8.6%	0.3%	0.5%	1.4%	12.2%	4.9%	14.3%	1.2%	742
1996/4	0.6%	1.0%	2.5%	7.6%	6.5%	34.6%	7.5%	10.3%	0.4%	0.2%	2.5%	9.5%	4.2%	11.6%	1.0%	753
1997/1	0.3%	1.4%	2.9%	8.2%	6.6%	29.9%	7.4%	10.8%	0.3%	0.5%	2.1%	14.6%	3.9%	10.2%	1.0%	912
1997/2	0.1%	1.2%	2.0%	9.5%	5.1%	31.9%	7.2%	10.5%	1.4%	0.3%	2.5%	11.2%	3.5%	12.6%	1.1%	720
1997/3	0.2%	2.7%	3.4%	8.1%	8.1%	27.6%	9.2%	10.3%	0.5%	0.5%	2.0%	10.5%	5.3%	11.1%	0.5%	909
1997/4	0.7%	1.9%	2.5%	12.1%	5.6%	29.4%	7.0%	10.9%	0.6%	0.6%	2.5%	10.3%	4.9%	9.7%	1.3%	634
1998/1	0.2%	3.4%	1.8%	8.9%	5.8%	27.7%	8.1%	11.8%	0.9%	0.5%	1.6%	12.1%	3.4%	12.6%	1.3%	783
1998/2	0.2%	3.4%	2.9%	10.1%	5.0%	25.6%	8.2%	8.4%	1.1%	0.3%	1.9%	10.7%	3.2%	18.1%	0.9%	1,273
1998/3	1.8%	3.4%	2.2%	7.7%	5.0%	29.3%	6.3%	9.6%	0.8%	0.1%	2.6%	9.7%	4.9%	16.0%	0.7%	682
1998/4	0.8%	6.3%	1.8%	9.7%	7.1%	30.8%	7.6%	6.1%	1.4%	0.7%	1.6%	10.5%	2.0%	13.0%	0.6%	654
1999/1	0.1%	1.7%	1.9%	8.9%	7.2%	31.0%	5.3%	11.1%	1.1%	0.9%	1.9%	8.3%	4.3%	15.2%	1.1%	601
1999/2	0.2%	1.0%	1.2%	8.0%	6.3%	31.6%	7.6%	14.8%	1.1%	0.1%	1.0%	9.2%	3.9%	12.9%	1.0%	619
1999/3	0.1%	0.7%	2.8%	11.2%	7.7%	25.3%	8.0%	13.6%	2.1%	0.9%	3.3%	8.2%	4.4%	10.2%	1.5%	507
1999/4	0.4%	0.8%	2.9%	11.4%	6.1%	26.3%	7.3%	14.2%	1.1%	0.5%	2.0%	9.6%	3.9%	12.6%	0.9%	1,121
2000/1	0.3%	1.0%	1.7%	9.5%	6.4%	26.2%	8.7%	18.6%	1.4%	0.3%	2.2%	8.8%	3.7%	10.4%	0.6%	812
2000/2	0.3%	1.6%	1.3%	8.7%	6.7%	25.9%	6.3%	19.0%	1.4%	1.1%	1.8%	7.2%	3.3%	14.9%	0.6%	866
2000/3	0.3%	0.8%	2.2%	12.2%	7.3%	26.7%	6.3%	12.5%	1.4%	1.1%	2.4%	9.6%	2.8%	12.6%	1.9%	758
2000/4	0.4%	0.7%	1.6%	7.9%	7.2%	27.4%	6.9%	15.7%	0.8%	0.9%	1.4%	10.2%	4.1%	14.3%	0.4%	803
2001/1	0.1%	0.4%	2.0%	11.1%	6.7%	31.4%	6.3%	14.4%	0.8%	0.3%	1.9%	9.2%	2.8%	10.9%	1.8%	726
2001/2	0.2%	0.8%	1.3%	10.8%	7.9%	27.2%	5.9%	15.4%	2.7%	0.4%	2.6%	7.0%	3.2%	13.7%	1.0%	856
2001/3	0.0%	0.0%	0.7%	13.5%	9.6%	30.0%	6.4%	13.8%	0.8%	0.4%	1.2%	7.3%	3.1%	12.8%	0.5%	720
2001/4	0.1%	0.0%	2.0%	11.7%	6.7%	27.4%	5.2%	16.5%	1.3%	0.5%	1.1%	8.2%	2.9%	15.0%	1.3%	705
2002/1	0.3%	0.5%	1.7%	7.8%	8.9%	28.5%	5.1%	15.2%	0.7%	0.2%	1.0%	8.4%	3.4%	16.8%	1.5%	654

Table A.3: Most important problem, 2002Q2 onwards

	General economic climate	Sector-specific demand/problems	Marketing problems	Interest rates/ Access to finance	Inflation/ Cost of materials, supplies	Other costs (e.g. premises, transport)	Exchange rates	Cashflow/ Payments/ Debtors	Government regulations and paperwork	Lack of skilled employees/ High pay	Total tax burden	Lack of time/ capacity	No problems	Other (please specify)	No response	Sample
2002/2	13%	7%	6%	4%	2%	1%	2%	10%	14%	8%	7%	8%	3%	12%	1%	1,168
2002/3	13%	7%	7%	4%	1%	0%	1%	11%	16%	11%	6%	9%	2%	11%	1%	1,078
2002/4	16%	7%	7%	4%	1%	1%	2%	9%	15%	10%	6%	9%	2%	8%	2%	1,074
2003/1	20%	8%	9%	4%	1%	0%	1%	9%	14%	6%	7%	8%	2%	9%	1%	922
2003/2	21%	8%	7%	4%	1%	1%	1%	11%	10%	9%	6%	9%	2%	8%	2%	851
2003/3	18%	9%	6%	3%	1%	1%	1%	6%	15%	9%	9%	10%	2%	7%	2%	784
2003/4	13%	9%	8%	3%	1%	1%	0%	7%	18%	8%	8%	8%	3%	9%	2%	687
2004/1	11%	8%	9%	3%	2%	1%	2%	11%	15%	7%	9%	8%	3%	8%	1%	808
2004/2	9%	8%	8%	4%	2%	2%	1%	8%	20%	9%	8%	9%	3%	8%	1%	739



## Special Topics

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- Vol 1** No 1 Some Characteristics of the Respondents  
No 2 Changes in Employment, New Business  
No 3 Part-time Employees, Computers in Small Firms  
No 4 Employment
- Vol 2** No 1 Finance, Membership of Representative Bodies  
No 2 Exports, The Business Expansion Scheme  
No 3 Employment, Skill Shortage  
No 4 Incorporated and Unincorporated Business, Expanding Firms, Small Firms in the Service Sectors
- Vol 3** No 1 Domestic versus Business Telephone Usage, Employment  
No 2 Most Important Problem Facing Declining and Growing Businesses, Characteristics of our Respondents  
No 3 Employment, Slow Payment Problems  
No 4 Use of Accountants
- Vol 4** No 1 Use of Solicitors  
No 2 Training background of managers and arrangements for staff training  
No 3 Access to external information  
No 4 Present and future use of Telecommunications products and services, Characteristics of Respondents
- Vol 5** No 1 Employee Turnover, National Chamber of Trade Survey, National Westminster Digest Survey  
No 2 The effects of 1992 on small firms  
No 3 Intergenerational and previous business background of respondents  
No 4 Origins of new employees
- Vol 6** No 1 European Community Special Directorate DG23  
No 2 Motivation and Objectives of respondents for setting up their own business  
No 3 School-leaver Training  
No 4 School-leaver Training Problems
- Vol 7** No 1 Training and Enterprise Councils  
No 2 Use of Computers  
No 3 Business Growth Objectives, Gender of Owner  
No 4 Sources of Small Business Finance
- Vol 8** No 1 Co-operatives  
No 2 Exports  
No 3 Quality Standards (BS 5750)  
No 4 Impact of the Recession on Incomes and Prices
- Vol 9** No 1 Business Premises and the UBR  
No 2 Rented Business Premises  
No 3 Delayed Payments  
No 4 External Sources of Information
- Vol 10** No 1 The Single Market  
No 2 Pensions  
No 3 The Past Ten Years  
No 4 Minimum Wage
- Vol 11** No 1 Capacity Utilisation  
No 2 Succession and Ownership  
No 3 Staff Recruitment  
No 4 Employee Turnover and Training
- Vol 12** No 1 Compliance Costs  
No 2 IT - Communications and Computers  
No 3 Business Support Organisations  
No 4 Motivations, Objectives and Targets
- Vol 13** No 1 50th Survey (employment change, hours worked, satisfaction)  
No 2 Incomes and Prices  
No 3 Minimum Wage  
No 4 Slow Payment
- Vol 14** No 1 VAT Compliance Costs  
No 2 Low Turnover, Advertising and Promotion  
No 3 Lack of Skills, Training and the 'New Deal'  
No 4 The euro
- Vol 15** No 1 IT, Communications and Year 2000  
No 2 Business Finance  
No 3 Government Regulations and Paperwork  
No 4 Motivations, Objectives and Targets
- Vol 16** No 1 Changes  
No 2 Slow Payment  
No 3 Government Regulations and Paperwork  
No 4 Skills Shortages and Training
- Vol 17** No 1 Employee Turnover and Retirement  
No 2 Exports and the Euro  
No 3 IT and the Internet  
No 4 Business Climate
- Vol 18** No 1 Sources of Business Information  
No 2 Business Networks and Supply Chains  
No 3 Ownership and Intentions  
No 4 Pensions and Stockmarket Slide
- 2003** Q1 Minimum Wage and Cost Pressures  
Q2 Government Regulations and Paperwork  
Q3 Business Finance  
Q4 ICT and the Internet
- 2004** Q1 Motivation, Objective, Target, Innovation  
Q2 Business Education & Training

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Note: The reports of the surveys were published as the NatWest/SBRT Quarterly Survey of Small Business in Britain until Vol 18 No 4.

# Quarterly Survey 2004Q2

Small Enterprise Research Team, Open University Business School, Michael Young Building, Walton Hall, Milton Keynes, MK7 6AA

CONFIDENTIAL

Please circle the appropriate letters or fill in the blanks. Your answers will remain confidential.

**1a** Employment: How many people (including yourself) work in the business? \_\_\_\_\_

**1b** If your business is not a limited company, how many of these people are self-employed proprietors or partners? \_\_\_\_\_

**2** How many years has your present business been trading? \_\_\_\_\_

**3a** Please classify your business activity by circling one of these categories:

- |  |                                   |  |
|--|-----------------------------------|--|
| 1. Agriculture, Forestry, Fisheries          | 4. Construction                   | 7. Hotels & Restaurants                          |
| 2. Manufacturing (incl. Publishing/Printing) | 5. Wholesale                      | 8. Business Services/Real Estate/Finance/Renting |
| 3. Transport, Travel, Storage, Communication | 6. Retail, Repair household goods | 9. Health/Education/Leisure/Personal Services    |

**3b** Please also describe in a few words the precise nature of your business: \_\_\_\_\_

**4** There has been increased interest in business education. Which of the following qualifications have you attained? (Please circle all those you have attained)

- |  |   |
|--|---|
| 1. O'level, CSE, GCSE or equivalent        | 5. Professional non-degree qualifications (e.g. accounting, engineering, management etc.) |
| 2. A'level, Scottish Highers or equivalent | 6. Vocational/technical qualifications  |
| 3. Degree                                  | 7. Other (please specify) _____   |
| 4. Post-graduate (Masters, PhD etc.)       | 8. None of the above  |

**5** What is your experience of formal management training? (Please circle all those you have attended/used)

- |                                 |                                 |
|---------------------------------|---------------------------------|
| 1. Enterprise training          | 5. Course at work               |
| 2. Business school              | 6. Other (please specify) _____ |
| 3. Specialist institute/college | 7. None of the above            |
| 4. Business Link/RDA scheme     |                                 |

**6** Please circle your own personal management development needs: (Please circle all those you believe would be useful to you)

- |                                      |                                 |
|--------------------------------------|---------------------------------|
| 1. General management skills         | 6. Financial skills             |
| 2. Understanding small organisations | 7. Personal development         |
| 3. Leadership                        | 8. ICT/technology               |
| 4. Marketing                         | 9. Other (please specify) _____ |
| 5. People skills                     |                                 |

**7** How old are you?      1. Under 40      2. 40-49      3. 50-59      4. 60 or older      5. prefer not to say

**8** Apart from on-the-job instruction, what training does your business provide for its staff? (Please circle all those your business offers)

- |  |   |
|--|---|
| 1. No formal training                  | 4. Gives staff time off to attend courses |
| 2. Organises internal training courses | 5. Organises internal mentors/consultants |
| 3. Pays for external training courses  | 6. Other (please specify) _____           |

**9** Please indicate your firm's annual turnover (excluding VAT):

- |                      |                      |                      |              |
|----------------------|----------------------|----------------------|--------------|
| 1. Less than £25,000 | 4. £100,000-£149,999 | 7. £350,000-£499,999 | 10. £1m-£3m  |
| 2. £25,000-£49,999   | 5. £150,000-£249,999 | 8. £500,000-£749,999 | 11. over £3m |
| 3. £50,000-£99,999   | 6. £250,000-£349,999 | 9. £750,000-£999,999 |              |

**10** How did your sales turnover, average employment, investment (in plant, equipment and premises) and average selling prices in the past quarter compare with the same period in 2003? What do you expect to happen in the current quarter? Please complete the table by ticking 8 boxes only:

	ACTUAL			EXPECTED		
	January, February, March 2004 compared with the same period 2003			April, May, June 2004 compared with January, February, March 2004		
	UP	DOWN	SAME	UP	DOWN	SAME
Sales Turnover						
Average Employment						
Investment						
Selling Prices						

**11** Which of the following is the SINGLE most important problem facing your business today? (Please circle ONE ONLY - we appreciate that every firm faces many problems, but we wish to focus on your current single MOST important problem)

- |                                    |   |  |                            |
|------------------------------------|---|--|----------------------------|
| 1. General economic climate        | 5. Interest rates/Access to finance       | 9. Cashflow/Payments/Debtors           | 13. Lack of time/capacity  |
| 2. Sector-specific demand/problems | 6. Inflation/Cost of materials, supplies  | 10. Gov't regulations and paperwork    | 14. No problems            |
| 3. Competition                     | 7. Other costs (e.g. premises, transport) | 11. Lack of skilled employees/High pay | 15. Other (please specify) |
| 4. Marketing problems              | 8. Exchange rates                         | 12. Total tax burden                   |                            |

**12** Please indicate the sex of the owner(s) of the business:

- |         |           |                                |
|---------|-----------|--------------------------------|
| 1. Male | 2. Female | 3. Joint Male/Female ownership |
|---------|-----------|--------------------------------|

**13** If you are willing in future to complete these questionnaires on the Internet, please give your email address here, as clearly as possible please!